

Message Text

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21

ACTION EA-10

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NSAE-00 /030 W

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FM AMEMBASSY JAKARTA

TO SECSTATE WASHDC 7025

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AMCONSUL MEDAN

AMCONSUL SURABAYA

UNCLAS JAKARTA 3040

EX/EP FOR GERER/IMUS

DEPT PASS LABOR DEPT

E.O. 11652: N/A

TAGS: ECON, EINV, ELAB, ID

SUBJ: CONTINUED PROBLEMS IN ELECTRONICS PRODUCTION

REF: JAKARTA 10409, AUGUST 26, 1974

1. J. DHARMADI, MANAGING DIRECTOR, P. T. MONSANTO PAN ELECTRONICS (MPE) INFORMED EMBOFF MARCH 13 THAT MPE BEGAN CUTBACK PRODUCTION IN NOVEMBER 1974 WHEN WORKFORCE REDUCED TO TWO SHIFT OPERATION. SECOND CUTBACK OCCURRED IN JANUARY WHEN PRODUCTION FURTHER REDUCED. DHARMADI SAID THAT CURRENTLY MPE HAS SOME SEVEN HUNDRED OF ITS 1200 PRODUCTION WORKERS ON "EXTENDED VACATION" WHICH INVOLVES PAYMENT OF BASIC SALARY PLUS RICE ALLOTMENT. THIS ELIMINATES BONUS PAYMENTS, TRANSPORT AND LUNCH ALLOWANCE.

2. DHARMADI REPORTED THAT HE HAD APPROACHED BOTH MANPOWER AND INDUSTRIES AUTHORITIES SEEKING TO REDUCE EXTENDED VACATION PAYMENTS TO FIFTY FIVE PERCENT OF BASIC SALARY PLUS RICE ALLOTMENT IN VIEW OF DEPRESSED
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STATE INDUSTRY GENERALLY AND PARTICULARLY IN

INDONESIA. HE SAID THAT MANPOWER AUTHORITIES RESPONDED BY STATING THAT MONSANTO WAS A MAJOR U.S. FIRM WITH WORLDWIDE RESOURCES AND THEREFORE SHOULD BE ABLE TO AFFORD TO CONTINUE THE FULL VACATION PAYMENTS TO SEVEN HUNDRED WORKERS IN INDONESIA AND SECONDLY THEY COULD ONLY CONSIDER ACTING ON MPE'S REQUEST IF THEY HAD EVIDENCE OF THE DEPRESSED STATE OF THE ELECTRONICS INDUSTRY WORLDWIDE AND IN THE U.S. FROM A SOURCE OTHER THAN MONSANTO. SOME OF THE OFFICIALS SUGGESTED TO DHARMADI THAT HE LET THE WORKERS GO ALTOGETHER, PAYING THEM OFF WITH THE APPROPRIATE SEVERENCE PAYMENTS. DHARMADI DOES NOT WANT TO DO THIS BECAUSE HE WOULD LOSE HIS TRAINED LABOR FORCE WHICH HE BELIEVES WILL BE NEEDED OVER THE NEXT TWELVE MONTHS AS HIS PRODUCTION IS SLOWLY INCREASING AT ABOUT 2 TO 3 PERCENT OF CAPACITY PER MONTH AND THIS TIME NEXT YEAR HE EXPECTS TO BE BACK TO ABOUT SEVENTY PERCENT OF CAPACITY. SECONDLY BE SUSPECTS THAT IF HE WERE TO PAY OFF THE WORKERS SOME OF THE MANPOWER OFFICIALS WOULD DEMAND "KICKBACKS" FROM THE DISMISSED WORKERS (SEVEN HUNDRED TIMES ONE THOUSAND RUPIAHS IS A TIDY SUM TO BE DISTRIBUTED TO DESERVING BUREAUCRATS). THIS IS A POSSIBILITY THAT DHARMADI WISHES TO AVOID.

3. EMBASSY WOULD APPRECIATE RECEIVING ASAP LATEST USG OR PRIVATE SECTOR REPORTS OR STUDIES DESCRIBING DEPRESSED STATE OF U.S. AND WORLDWIDE ELECTRONICS INDUSTRY, WITH SPECIAL EMPHASIS, IF POSSIBLE ON COMPONENT MANUFACTURE AND EMPLOYMENT.
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